



**KATHLEEN CONNELL**

**Controller of the State of California**

April 26, 1999

**To the Citizens, Governor, and Members  
of the Legislature of the State of California:**

**I**

am pleased to submit the fourteenth edition of the *Community Redevelopment Agencies Annual Report*.

Distribution of this information is vital to assuring that tax dollars are spent wisely and efficiently. The financing of community redevelopment should be constantly scrutinized for opportunities to achieve improvements and savings. This report facilitates that objective by informing state and local legislative bodies, persons responsible for community planning and management, and the many concerned citizens of varying interests.

The data presented in this publication were obtained from standardized reports submitted by community redevelopment agency officials to the Division of Accounting and Reporting in the State Controller's Office.

I wish to thank the many local government representatives who helped to make this publication possible.

Sincerely,

A handwritten signature in cursive script, reading "Kathleen Connell".

KATHLEEN CONNELL  
California State Controller

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# Introduction

The Community Redevelopment Law, Chapter 710, Statutes of 1951, was enacted by the California State Legislature with the objective of redeveloping those areas found in many communities that, for a variety of reasons, have suffered from unsafe, unfit, deteriorated, and economically dislocated buildings and properties. The California Constitution Article XVI, Section 16, and the Health and Safety Code, beginning with Section 33000, provide funding from local property taxes to promote the redevelopment of blighted areas. Article XVI was approved by voters in 1952; therefore, the revenues it generates are not subject to the limitations imposed by Article XIII B, the Gann Limit.

Government Code Section 12463.3, as added by Senate Bill 1387, Chapter 1523, Statutes of 1984, requires the State Controller to compile and publish a report of the financial transactions of community redevelopment agencies. All agencies created pursuant to Division 24 (commencing with Section 33000) of the Health and Safety Code must file a report. Senate Bill 1387 also requires the State Department of Housing and Community Development to publish housing data regarding the Low and Moderate Income Housing Fund. For information regarding these housing statistics, please contact the State Department of Housing and Community Development.

Tables 1, 2, and 3 contain general information regarding assessed values, tax increment revenues apportioned by county, historical information regarding the formation of each agency and project area, and data relating to each agency's achievements in the current year. Tables 4 through 7 consist of detailed information on revenues, expenditures, long-term debt, and assessed valuations.

This report includes an analysis of the data, as well as other pertinent information specific to individual redevelopment agencies. A list of definitions and terminology is also provided.

## **Financial and Compliance Audit**

Each agency is required to submit a financial and compliance audit to its legislative body and to the State Controller's Office annually. Pursuant to Health and Safety Code Section 33080.1(a), this audit is to be conducted "in accordance with generally accepted auditing standards and the rules governing audit reports promulgated by the California State Board of Accountancy. The audit report shall also include an opinion of the agency's compliance with laws, regulations, and administrative requirements governing activities of the agency."

To meet this requirement, the State Controller's Office requires agencies to

prepare their financial statements on a component unit basis, detailing all funds of each project area in combining statements. The component unit statement presents the agency's activities without combining them with other unrelated city or county activities.

Three of the 367 active agencies failed to file their financial reports for the 1997-98 fiscal year. Two agencies were dissolved during the year, and six new agencies were formed.<sup>1</sup>

For the 1996-97 fiscal year, two of the 362 active agencies failed to file their financial reports.<sup>2</sup> In addition, one agency, the Inglewood Redevelopment Agency, changed its fiscal year end to September 30. Transactions for this agency for the July 1, 1996, through September 30, 1997, fiscal period appear in this edition.

Schedules 14 through 18 include statistical information concerning redevelopment agencies formation, organization, and purposes.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues*, requires disclosure of certain matters regarding the Year 2000 issue. The provisions of this bulletin are effective for financial statements on which the auditor's report is dated after October 31, 1998. Since audits of redevelopment agencies must be completed and submitted by December 31 of each year, many audits did not include any statements regarding this issue. Of the 40 audits that did reference Year 2000, 38 included a statement that insufficient audit evidence existed to support disclosures with respect to the Year 2000 issue. One audit merely included a note indicating the agency's progress towards Year 2000 remediation, and another included a note stating that the scope of the audit did not include an evaluation of the Year 2000 issue.

Of the 364 agencies reporting financial transactions, 353 filed financial audits for the 1997-98 fiscal year. However, only 349 compliance opinions were submitted with those audits.<sup>3</sup>

Schedule 1 highlights the most frequently cited areas of non-compliance, the related Health and Safety Code Section, and the number of agencies that failed to meet that requirement.

Of the 349 compliance audits submitted to the State Controller's Office, 65 audits indicated areas of non-compliance, noting a total of 86 specific items.

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<sup>1</sup> Redevelopment agencies for the cities of Isleton, Mammoth Lakes, and Tiburon failed to file their 1997-98 fiscal year reports. Newly established redevelopment agencies in 1997-98 are Citrus Heights, Ione, Lomita, Patterson, Plymouth, and Truckee. American Canyon and Encinitas dissolved their agencies. Additionally, it was determined that the Fort Ord Reuse Authority had not yet established a redevelopment agency, as it had previously reported.

<sup>2</sup> Redevelopment agencies for the cities of Cloverdale and Hawaiian Gardens failed to file for the 1996-97 report year.

<sup>3</sup> Redevelopment agencies for the cities of Industry, Oakdale, Sacramento, and Turlock failed to include a compliance audit opinion with their independent audit.

The most frequently cited area dealt with the housing element of the city. Redevelopment agency project area plans are required to comply with the general plan of the city that formed the agency. Health and Safety Code Section 33302 requires each city to have a general plan that complies with Government Code Section 65300, and includes a housing element that substantially complies with state law. An approval letter from the State Department of Housing and Community Development (HCD) stating that the general plan is in compliance must be issued to the city. Where non-compliance with these provisions is cited, the cities either did not have approval letters, the plans were out of date, or the plans had been submitted but not yet approved by HCD.

#### Schedule 1

##### Frequency of Compliance Findings

Description	Code	Number
	Section	
No approved housing element letter .....	33302	20
Reports not filed, or filed after deadline .....	33080.1	19
Inadequate accounting system .....	33080.5	10
Implementation plan not adopted .....	33490	6
Purchased land not developed within five years .....	33334.16	4
Lack of procedures for priority in housing replacement .....	33413	4
Time limits not established .....	33333.6	3
No separate Low and Moderate Income Housing Fund, or interest not accrued to the fund .....	33334.6	2
No budget adopted .....	33606	2
No procedure to monitor status of housing .....	33418	2
Not Otherwise Classified .....	Various	14
<b>Total .....</b>		<b>86</b>

## Financial Statements

Redevelopment accounting is based on the modified accrual basis, as opposed to the full accrual basis of accounting. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. These accounts are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The debt service fund, for example, is used to account for the payment of principal and interest owed on long-term debt.

The financial information has been gathered from redevelopment agencies based on these accounting concepts. The statement of revenues and expenditures and the balance sheet are basic financial statements that, when considered together, reveal the economic events of a period of time and the end results.

The graphs and schedules that follow are based on the "10000 Redevelopment Agencies" uniform accounting system, as prescribed for redevelopment agencies by the California State Controller. The accounting approach is governmental fund accounting, and the accounting basis is consistent with the

redevelopment agencies by the California State Controller. The accounting approach is governmental fund accounting, and the accounting basis is consistent with the pronouncements of the Governmental Accounting Standards Board.

## Combined Balance Sheet

The combined balance sheet on page vii presents the totals of assets, liabilities, and equities of all community redevelopment agencies as of June 30, 1998, compared to June 30, 1997. In addition to the fund types, two account groups are shown as of June 30, 1998.

The General Fixed Assets Account Group is a self-balancing group of accounts set up to account for the general fixed assets of an agency. Assets accounted for in this group represent fixed assets of the agency, such as land, buildings, and equipment. This is in contrast to assets held for investment purposes.

The General Long-Term Debt Account Group is also a self-balancing group of accounts, used to account for the unmatured general long-term debt of an agency.

Many readers of financial statements are interested in the financial condition of a fund, or the relationship between assets, liabilities, and fund equity. Equity, or fund balance, represents the net of total assets minus total liabilities of a specific fund. Fund balances are further classified into three areas:

***Reserved*** — Equity that is reserved for specific purposes and is not available for financing the expenditure program of the current fiscal period.

***Unreserved Designated*** — Equity that is a segregation of a portion of fund balance to indicate tentative managerial plans or intent and is clearly distinguished from reserves.

***Unreserved Undesignated*** — Equity that is unencumbered and available to finance the program of expenditures of the fiscal period to which it applies.

Also significant is the asset account, Land Held for Resale. In order to accomplish the goal of eliminating blight, agencies may purchase parcels of land to attract development that will replace the blighted conditions that originally existed. This account represents the cost or investment in land currently held for eventual resale, net of Allowance for Decline in Value.

## Schedule 2

### Combined Balance Sheet — All Fund Types and Account Groups

As of June 30, 1998  
(Amounts in thousands)

	Capital Projects Fund	Debt Service Fund	Low/Moderate Income Housing Fund	All Other Funds	General Long-Term Debt Account Group	General Fixed Assets Account Group	Totals	
							1998	1997
<b>ASSETS/OTHER DEBITS</b>								
Cash .....	\$ 1,796,483	\$ 1,563,001	\$ 617,311	\$ 149,020	\$ —	\$ —	\$ 4,125,815	\$ 3,636,708
Accounts Receivable .....	463,559	95,830	458,104	69,686	—	—	1,087,179	1,013,846
Other Receivables .....	70,428	288,828	2,628	2	3,673	—	365,559	400,243
Due From Other Funds .....	274,200	116,214	78,398	55,938	—	—	524,750	440,209
Investments .....	506,763	135,512	74,657	94,646	—	—	811,578	936,725
Other Assets .....	200,763	74,133	68,508	34,913	—	—	378,317	421,743
Land Held For Resale .....	865,688	—	131,698	94,783	—	—	1,092,169	1,124,338
Allowance For Decline .....	(22,959)	—	(624)	—	—	—	(23,583)	(33,491)
Fixed Assets .....	—	—	—	24,551	—	2,710,933	2,735,484	2,573,094
Other Debits:								
Amount Available in								
Debt Service Fund .....	—	—	—	—	1,713,521	—	1,713,521	1,617,156
Amounts to be Provided for								
Payment of Long-Term Debt .....	—	—	—	—	13,849,610	—	13,849,610	13,241,752
<b>Total Assets/Other Debits ...</b>	<b>\$ 4,154,925</b>	<b>\$ 2,273,518</b>	<b>\$ 1,430,680</b>	<b>\$ 523,539</b>	<b>\$ 15,566,804</b>	<b>\$ 2,710,933</b>	<b>\$ 26,660,399</b>	<b>\$ 25,372,323</b>
<b>LIABILITIES</b>								
Accounts Payable .....	\$ 674,362	\$ 431,750	\$ 206,403	\$ 108,407	\$ —	\$ —	\$ 1,420,922	\$ 1,397,573
Interest Payable .....	1,443	13,053	277	3,197	57,427	—	75,397	73,301
Due To Other Funds .....	212,987	88,040	53,947	169,776	—	—	524,750	440,209
Tax Allocation Bonds .....	—	—	—	45,619	8,980,997	—	9,026,616	8,590,750
Revenue Bonds .....	—	—	—	10,165	1,844,381	—	1,854,546	1,905,652
Other Debt .....	—	—	—	15,934	4,683,999	—	4,699,933	4,416,809
<b>Total Liabilities .....</b>	<b>888,792</b>	<b>532,843</b>	<b>260,627</b>	<b>353,098</b>	<b>15,566,804</b>	<b>—</b>	<b>17,602,164</b>	<b>16,824,294</b>
<b>EQUITY/OTHER CREDITS</b>								
Investments in Fixed Assets .....	—	—	—	—	—	2,710,933	2,710,933	2,508,368
Fund Balance:								
Reserved .....	1,832,447	1,299,778	832,025	161,597	—	—	4,125,847	4,083,472
Unreserved Designated .....	1,403,106	458,294	270,997	6,245	—	—	2,138,642	1,938,456
Unreserved Undesignated .....	30,580	(17,397)	67,031	2,599	—	—	82,813	17,733
<b>Total Equity/Other Credits ...</b>	<b>3,266,133</b>	<b>1,740,675</b>	<b>1,170,053</b>	<b>170,441</b>	<b>—</b>	<b>2,710,933</b>	<b>9,058,235</b>	<b>8,548,029</b>
<b>Total Liabilities/Equity .....</b>	<b>\$ 4,154,925</b>	<b>\$ 2,273,518</b>	<b>\$ 1,430,680</b>	<b>\$ 523,539</b>	<b>\$ 15,566,804</b>	<b>\$ 2,710,933</b>	<b>\$ 26,660,399</b>	<b>\$ 25,372,323</b>

## **Combined Statement of Revenues, Expenditures, and Changes in Fund Balance**

### **Revenues and Other Financing Sources**

The following schedules and charts represent the statewide totals of revenues, expenditures, and other financing sources and uses for community redevelopment agencies for the 1997-98 fiscal year. This summary of revenues and expenditures shows the results of operations during the fiscal year. The data are provided by fund type. This may be of interest to those concerned with specific kinds of financial information, such as the activity in the Low and Moderate Income Housing Fund.

Revenues and other financing sources from all local, state, and federal sources amounted to \$4.7 billion for the 1997-98 fiscal year (see Chart 1 and Schedule 3 for summary information, Schedules 5 and 6 for detailed information, and Chart 3 for trend information).

Local tax revenues, the largest source of funds, amounted to \$1.7 billion, which was 35.5% of total revenues and sources. This is an increase of 8.3% over the 1996-97 fiscal year. These funds are generated from tax increment revenues, sales tax, property assessments, and from the state-provided special supplemental subvention. Agencies that formerly received business inventory tax, and pledged that tax for the repayment of debt, are eligible to apply for a special supplemental subvention from the state. However, beginning with the 1992-93 fiscal year, the amount allocated by the state has averaged approximately one-tenth of previous allocations. For the 1997-98 fiscal year, only eight agencies reported receiving special supplemental subvention revenues. Tax increment revenues amounted to \$1.6 billion, an increase of 8.2% over the 1996-97 fiscal year (See Schedule 6). In order to be eligible to obtain tax increment financing, an agency must develop a project area plan that includes provisions for such financing. The agency must also incur some type of debt. Property assessments and sales tax revenues amounted to \$8.7 million and \$22.5 million, respectively. There are 11 redevelopment agencies now levying property assessments, compared to 12 in the 1996-97 fiscal year. Seventeen cities have diverted sales tax revenue to their project areas. Redevelopment agencies also may impose a transient occupancy tax. Four redevelopment agencies did so during the 1997-98 fiscal year, reporting a total of \$11.2 million in transient occupancy tax revenues.

The second largest single revenue source was interest on funds held by redevelopment agencies. This totaled \$289.2 million, a 0.9% increase from the 1996-97 fiscal year. Rental and lease income amounted to \$54.1 and \$62.4 million respectively, a combined increase of 2.7% over the 1996-97 fiscal year. Sale of real estate amounted to \$87.7 million, an increase of 85.9% over the 1996-97 fiscal year.

Additional financing sources include proceeds from long-term debt issuances. During the 1997-98 fiscal year, a total of \$2.2 billion was received from issuances of long-term debt, including \$239.2 million in

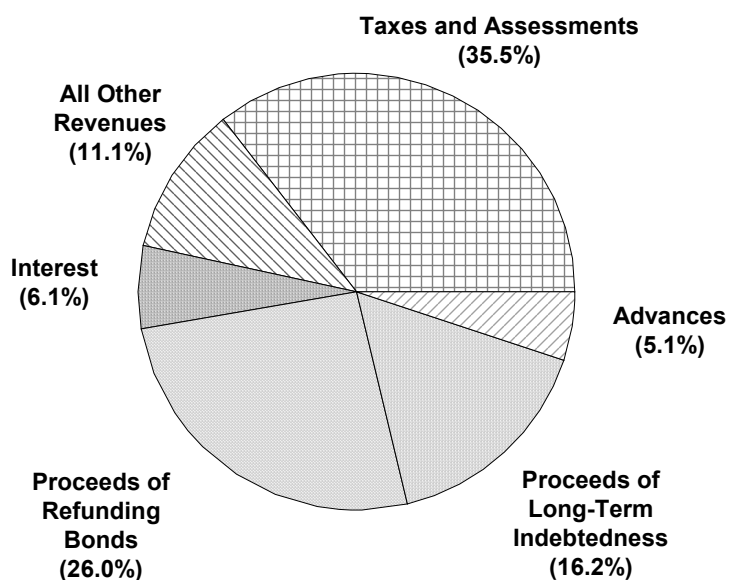


advances, \$1.2 billion in refunding issuances, and \$761.1 million from all other debt issuances. All other revenues and financing sources amounted to \$318.5 million, including \$77 million in grant revenues.

The financial data presented in Table 4 of this publication shows the aggregate of all funds for each project area by redevelopment agency.

**Chart 1**

**Revenues and Other Financing Sources**



**Schedule 3**

**Combined Summary of Revenues and Other Financing Sources**

(Amounts in thousands)

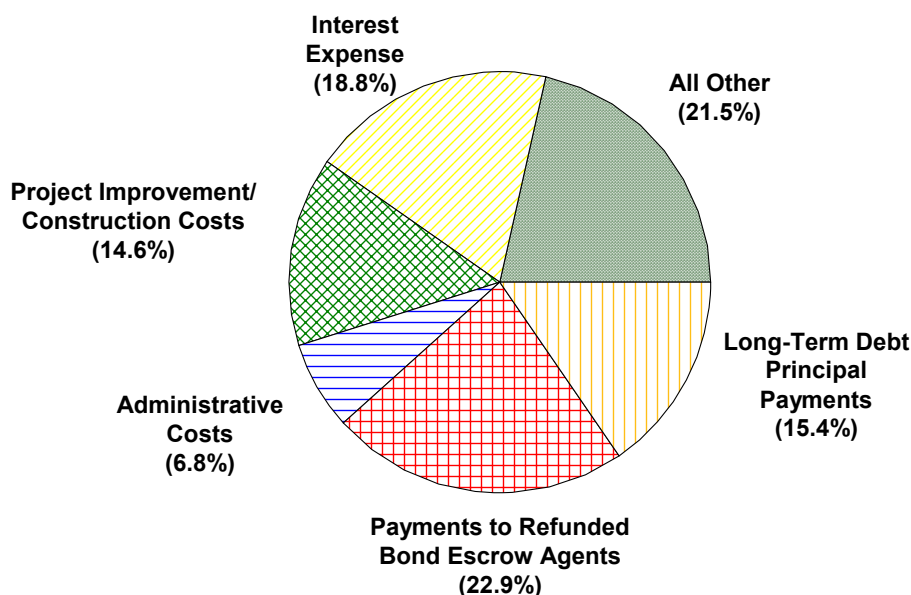
	1997-98	1996-97
Revenues:		
Taxes and Assessments .....	\$ 1,670,538	\$ 1,543,096
All Other Revenues .....	522,782	402,483
Interest .....	289,187	286,557
Other Financing Sources:		
Proceeds of Refunding Bonds .....	1,226,388	441,564
Proceeds of Long-Term Indebtedness .....	761,147	565,443
Advances .....	239,210	261,436
<b>Total Revenues and Other Financing Sources ....</b>	<b>\$ 4,709,252</b>	<b>\$ 3,490,579</b>

## Expenditures and Other Financing Uses

Expenditures and other uses for all agencies for the 1997-98 fiscal year amounted to \$4.4 billion (see Chart 2 and Schedule 4 for summary information, and Chart 3 for trend information). Interest expense and debt service principal repayments were the largest expenditures, amounting to \$830.9 million (18.8%) and \$680.8 million (15.4%), respectively. Project improvement and construction costs amounted to \$644.3 million (14.6%). All other expenditures and financing uses amounted to \$2.3 billion for the 1997-98 fiscal year.

**Chart 2**

### Expenditures and Other Financing Uses



**Schedule 4**

### Summary of Expenditures and Other Financing Uses

(Amounts in thousands)

	1997-98	1996-97
Expenditures:		
All Other .....	\$ 948,948	\$ 878,396
Interest Expense .....	830,874	818,737
Project Improvement and Construction Costs .....	644,279	647,990
Administrative Costs .....	300,389	291,686
Other Financing Uses:		
Payments to Refunded Bond Escrow Agents .....	1,012,813	398,201
Long-Term Debt Principal Payments .....	680,839	646,673
<b>Total Expenditures and Other Financing Uses ...</b>	<b>\$ 4,418,142</b>	<b>\$ 3,681,693</b>

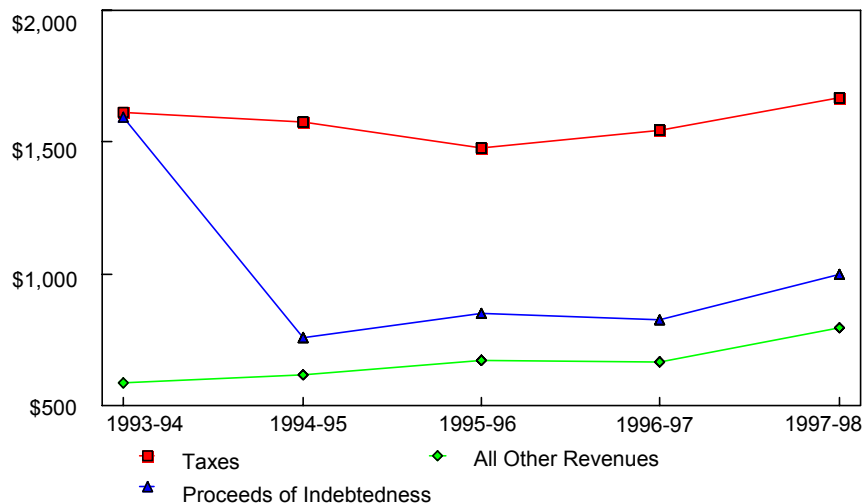
## Other Financing Sources and Uses

This section of the summary statement details the transactions that are not accounted for as revenues or expenditures. Proceeds of long-term debt, city/county advances, and operating transfers between funds and/or agencies are presented here. The excess of expenditures and other financing uses over revenues and other financing sources was \$291.1 million.

**Chart 3**

### Trends in Revenues and Other Financing Sources

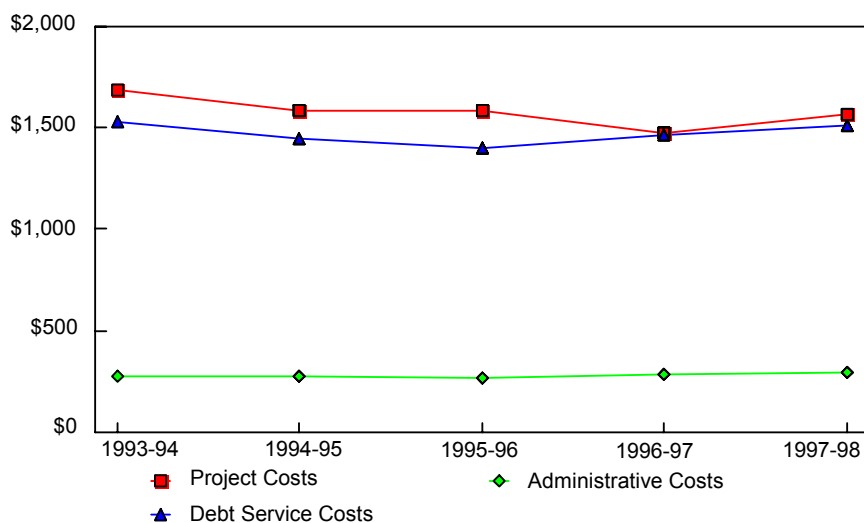
(Amounts in millions)



**Chart 4**

### Trends in Expenditures and Other Financing Uses

(Amounts in millions)



**Schedule 5****Combined Statement of Revenues, Expenditures, and  
Changes in Fund Balance by Fund Types**

For Fiscal Year Ended June 30, 1998

(Amounts in thousands)

	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Low/Moderate Income Housing Fund</b>	<b>All Other Funds</b>	<b>Total</b>
<b>REVENUES</b>					
Tax Increment .....	\$ 465,928	\$ 1,001,146	\$ 156,001	\$ 560	\$ 1,623,635
Special Supplemental Subvention .....	1,971	2,428	—	—	4,399
Property Assessments .....	223	8,389	92	—	8,704
Sales and Use Tax .....	9,219	12,586	47	676	22,528
Transient Occupancy Tax .....	3,840	7,432	—	—	11,272
Interest Income .....	150,194	85,140	44,423	9,430	289,187
Rental Income .....	30,714	8,584	2,482	12,295	54,075
Lease Income .....	17,514	44,690	259	20	62,483
Sale of Real Estate .....	55,092	—	6,868	25,736	87,696
Gain on Land Held for Resale .....	11,613	—	3,305	—	14,918
Grant Revenues .....	21,990	8,966	10,764	35,482	77,202
Other Revenues .....	102,718	22,285	25,955	57,994	208,952
<b>Total Revenues .....</b>	<b>871,016</b>	<b>1,201,646</b>	<b>250,196</b>	<b>142,193</b>	<b>2,465,051</b>
<b>EXPENDITURES</b>					
Administrative Costs .....	214,509	17,544	47,989	20,347	300,389
Professional, Planning, Design .....	79,203	2,424	15,811	2,121	99,559
Real Estate Purchases .....	50,352	9	12,433	34,491	97,285
Relocation Costs and Payments .....	8,011	158	2,143	2,530	12,842
Project Improvement Costs .....	539,052	14,731	80,018	10,478	644,279
Rehabilitation Costs and Grants .....	11,015	2,421	23,242	16,704	53,382
Interest Expense .....	48,889	766,856	12,960	2,169	830,874
Long-Term Debt Principal Payments ..	63,985	602,501	13,777	576	680,839
All Other .....	264,323	250,280	76,027	67,826	658,456
<b>Total Expenditures .....</b>	<b>1,279,339</b>	<b>1,656,924</b>	<b>284,400</b>	<b>157,242</b>	<b>3,377,905</b>
<b>Deficiency of Revenues</b>					
<b>Under Expenditures .....</b>	<b>(408,323)</b>	<b>(455,278)</b>	<b>(34,204)</b>	<b>(15,049)</b>	<b>(912,854)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of Long-Term Debt .....	467,582	247,937	39,428	6,200	761,147
Proceeds of Refunding Bonds .....	183,077	1,003,978	39,333	—	1,226,388
Payments to Refunding Agent .....	(72,726)	(926,862)	(13,225)	—	(1,012,813)
Advances From City/County .....	158,473	75,691	3,817	1,229	239,210
Sale of Fixed Assets .....	17,058	—	398	—	17,456
Miscellaneous Sources and (Uses) ..	13,374	(16,778)	(22,067)	(1,953)	(27,424)
Operating Transfers In .....	327,189	619,385	53,091	70,157	1,069,822
"Set-Aside" Transfers In .....	—	—	131,252	—	131,252
Operating Transfers Out .....	(563,315)	(386,466)	(95,186)	(24,855)	(1,069,822)
"Set-Aside" Transfers Out .....	(54,802)	(76,450)	—	—	(131,252)
<b>Total Other Sources (Uses) .....</b>	<b>475,910</b>	<b>540,435</b>	<b>136,841</b>	<b>50,778</b>	<b>1,203,964</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other</b>					
<b>Financing Uses .....</b>	<b>67,587</b>	<b>85,157</b>	<b>102,637</b>	<b>35,729</b>	<b>291,110</b>
Equity, Beginning of Period .....	3,245,053	1,640,431	1,075,098	167,592	6,128,174
Adjustments .....	(46,507)	15,087	(7,682)	(32,880)	(71,982)
<b>Equity, End of Period .....</b>	<b>\$ 3,266,133</b>	<b>\$ 1,740,675</b>	<b>\$ 1,170,053</b>	<b>\$ 170,441</b>	<b>\$ 6,347,302</b>

## Schedule 6

# Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance by Fiscal Year

(Amounts in thousands)

REVENUES	1997-98	1996-97	1995-96	1994-95	1993-94
Tax Increment .....	\$ 1,623,635	\$ 1,500,548	\$ 1,449,813	\$ 1,543,524	\$ 1,576,833
Special Supplemental Subvention .....	4,399	5,279	1,775	3,041	3,125
Property Assessments .....	8,704	2,159	4,883	7,401	7,970
Sales and Use Tax .....	22,528	23,721	19,421	21,012	20,067
Transient Occupancy Tax .....	11,272	11,389	3,380	4,293	4,308
Interest Income .....	289,187	286,557	296,998	295,213	288,993
Rental Income .....	54,075	54,588	46,170	43,664	42,165
Lease Income .....	62,483	58,955	63,026	71,388	68,438
Sale of Real Estate .....	87,696	47,169	54,589	20,219	24,859
Gain on Land Held for Resale .....	14,918	5,569	4,028	4,579	10,299
Grant Revenues .....	77,202	79,689	81,095	67,133	46,968
Other Revenues .....	208,952	135,761	127,974	119,197	104,366
<b>Total Revenues .....</b>	<b>2,465,051</b>	<b>2,211,384</b>	<b>2,153,152</b>	<b>2,200,664</b>	<b>2,198,391</b>
<b>EXPENDITURES</b>					
Administrative Costs .....	300,389	291,686	266,820	278,965	278,453
Professional, Planning, Design .....	99,559	109,517	110,324	113,352	115,284
Real Estate Purchases .....	97,285	90,088	88,504	88,750	79,290
Relocation Costs and Payments .....	12,842	13,813	15,757	11,390	18,501
Project Improvement Costs .....	644,279	647,990	740,532	636,995	705,235
Rehabilitation Costs and Grants .....	53,382	55,103	38,919	50,189	59,706
Interest Expense .....	830,874	818,737	806,667	823,296	795,411
Long-Term Debt Principal Payments .....	680,839	646,673	592,412	621,639	730,513
All Other .....	658,456	552,782	590,728	681,434	702,359
<b>Total Expenditures .....</b>	<b>3,377,905</b>	<b>3,226,389</b>	<b>3,250,663</b>	<b>3,306,010</b>	<b>3,484,752</b>
<b>Deficiency of Revenues</b>					
<b>Under Expenditures .....</b>	<b>(912,854)</b>	<b>(1,015,005)</b>	<b>(1,097,511)</b>	<b>(1,105,346)</b>	<b>(1,286,361)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of Long-Term Debt .....	761,147	565,443	586,694	534,322	1,371,021
Proceeds of Refunding Bonds .....	1,226,388	431,564	593,846	229,041	2,352,982
Payments to Refunding Agent .....	(1,012,813)	(398,201)	(609,960)	(216,207)	(2,470,083)
Advances From City/County .....	239,210	261,436	265,822	224,518	221,975
Sale of Fixed Assets .....	17,456	20,752	14,492	14,979	7,593
Miscellaneous Sources and (Uses) .....	(27,424)	(57,093)	(34,730)	(64,431)	(67,683)
Operating Transfers In .....	1,069,822	940,811	1,097,191	1,019,927	1,395,980
"Set-Aside" Transfers In .....	131,252	126,129	117,306	139,575	128,011
Operating Transfers Out .....	(1,069,822)	(940,812)	(1,097,191)	(1,017,741)	(1,398,698)
"Set-Aside" Transfers Out .....	(131,252)	(126,129)	(117,306)	(141,760)	(125,298)
<b>Total Other Sources (Uses) .....</b>	<b>1,203,964</b>	<b>823,900</b>	<b>816,164</b>	<b>722,223</b>	<b>1,415,800</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other</b>					
<b>Financing Uses .....</b>	<b>291,110</b>	<b>(191,105)</b>	<b>(281,347)</b>	<b>(383,123)</b>	<b>129,439</b>
Equity, Beginning of Period .....	6,039,661	6,191,472	6,623,853	7,068,714	6,918,629
Adjustments <sup>1</sup> .....	16,531	39,294	(151,034)	(61,738)	20,646
<b>Equity, End of Period <sup>1</sup> .....</b>	<b>\$ 6,347,302</b>	<b>\$ 6,039,661</b>	<b>\$ 6,191,472</b>	<b>\$ 6,623,853</b>	<b>\$ 7,068,714</b>

<sup>1</sup> The beginning equity for each year is adjusted for non-reporting agencies (see page iv). The ending balances shown are as reported each year and presented in Table 4.

## Long-Term Debt

Schedule 7 presents the changes in long-term debt of community redevelopment agencies for the 1997-98 fiscal year. This schedule summarizes the beginning unmatured debt, adjustments, debt issued, debt matured, and ending unmatured debt by the type of debt issued. One of the more significant kinds of adjustments is the addition of interest to long-term debt. Agencies frequently borrow funds from their respective city or county. The repayment of these loans may be subordinate to the repayment of bonds or other types of debt, and occasionally no monies will be available for repayment of interest or principal. Accrued interest that is due but not paid is added to long-term debt by adjusting the principal amount outstanding. A total of \$104.3 million in unpaid interest was added to long-term debt in the 1997-98 fiscal year. The detail of agency long-term debt is found in Table 5. Chart 5 presents a five-year comparison by debt issuance.

### Schedule 7

#### Agency Long-Term Debt

As of June 30, 1998  
(Amounts in thousands)

	Tax Allocation Bonds	Revenue Bonds	City/ County Loans/ Advances	All Other Debt	Total
<b>Principal</b>					
<b>Unmatured, Beginning of Year</b> .....	\$ 8,263,523	\$ 1,618,806	\$ 2,359,014	\$ 2,812,153	\$ 15,053,496
Adjustments .....	68,049	(537)	36,624	(47,504)	56,632
Issued .....	1,558,968	96,275	170,866	339,138	2,165,247
Matured .....	(238,984)	(51,021)	(152,823)	(266,350)	(709,178)
Defeased .....	(794,537)	(99,948)	—	(33,310)	(927,795)
<b>Unmatured, End of Year<sup>1</sup></b> .....	<b>\$ 8,857,019</b>	<b>\$ 1,563,575</b>	<b>\$ 2,413,681</b>	<b>\$ 2,804,127</b>	<b>\$ 15,638,402</b>

<sup>1</sup> Includes \$71 million in long-term debt reported in All Other Funds. See reconciliation below.

Schedule 8 reconciles the long-term debt as reported on Schedule 2, the combined balance sheet, to the amounts reported in Schedule 7 above. A few agencies have established enterprise funds to account for specific programs or activities. The long-term debt of an enterprise fund is presented within that fund. These amounts are included in the All Other Funds column of the balance sheet, and need to be combined with the total amount of the Long-Term Debt Account Group to discern the true picture of redevelopment agency long-term debt.

### Schedule 8

#### Reconciliation of Agency Long-Term Debt to Combined Balance Sheet

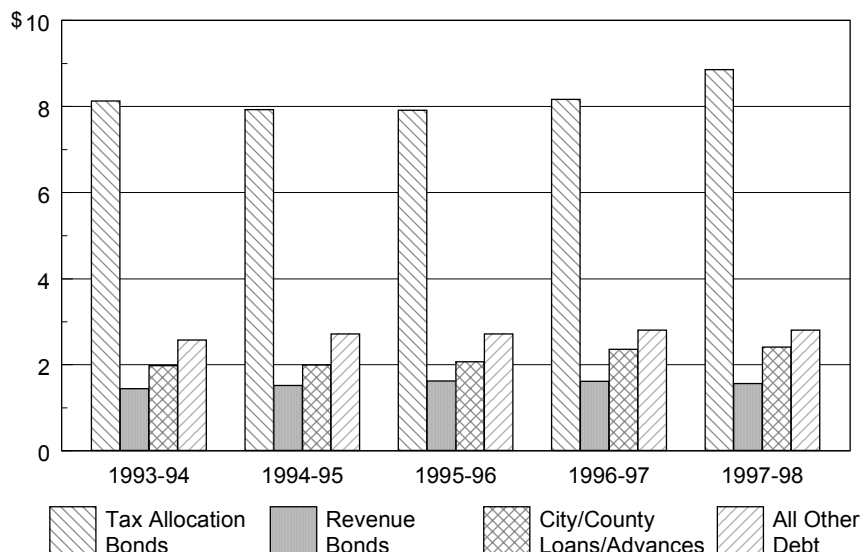
As of June 30, 1998  
(Amounts in thousands)

Reconciling Items	Balance Sheet Data
Long-Term Debt Account Group, Total Debt .....	\$ 15,566,804
Long-Term Debt Listed in All Other Funds .....	71,718
Matured, Unpaid Interest included in Long-Term Debt Account Group .....	(120)
<b>Totals</b> .....	<b>\$ 15,638,402</b>

Chart 5

**Outstanding Long-Term Debt Balances by Fiscal Year**

(Amounts in millions)



During the 1997-98 fiscal year, \$927.8 million of tax allocation bonds, revenue bonds, and other indebtedness were retired by issuing refunding bonds of \$1,226 million. The purpose of the early extinguishment of debt is generally to take advantage of lower interest rates, extend the number of years over which the debt matures, or to increase borrowing capacity.

## Non-Agency Long-Term Debt

Schedule 9 presents the change in long-term debt that was originally issued in the name of the agency but is generally not considered a debt of the agency. Examples of this type of debt are mortgage revenue bonds, industrial development bonds, and certain certificates of participation. Some agencies had difficulty providing this information, and a few were unable to provide the detail the State Controller's Office requires as the obligations are usually administered by a trustee and are not generally accounted for by the agency itself. The detail of non-agency long-term debt is found in Table 6.

**Schedule 9****Non-Agency Long-Term Debt**

As of June 30, 1998  
(Amounts in thousands)

	Mortgage Revenue Bonds	Commercial Revenue Bonds	Industrial Development Bonds	Certificates of Participation	Total
<b>Principal</b>					
<b>Unmatured, Beginning of Year</b> .....	\$ 1,373,268	\$ 286,310	\$ 55,338	\$ 318,052	\$ 2,032,968
Adjustments .....	(67,100)	76,163	—	(55)	9,008
Issued .....	82,569	—	—	3,450	86,019
Matured .....	(81,407)	(463)	(477)	(1,945)	(84,292)
Defeased .....	(8,055)	—	—	—	(8,055)
<b>Unmatured, End of Year</b> .....	<u>\$ 1,299,275</u>	<u>\$ 362,010</u>	<u>\$ 54,861</u>	<u>\$ 319,502</u>	<u>\$ 2,035,648</u>

## Assessed Valuation and Tax Increment Distribution

Section 33670 of the Health and Safety Code authorizes the allocation of property taxes between the various local agencies and community redevelopment agencies. The “frozen base assessed valuation” is the value of property at the time of the adoption of a redevelopment project plan. The “incremental assessed valuation” is the cumulative increase in the value of property within a project area above the base assessed valuation. Tax increment revenues are produced by applying general and debt service tax rates to the incremental assessed valuation. Schedule 10 presents total assessed values for the 1996-97 and 1997-98 fiscal years.

### Schedule 10

#### Assessed Valuation Totals

(Amounts in thousands)

	1997-98	1996-97
Frozen Base Assessed Valuation .....	\$ 103,336,981	\$ 99,211,911
Incremental Assessed Valuation .....	150,076,881	145,059,702
<b>Total Assessed Valuation .....</b>	<b>\$ 253,413,862</b>	<b>\$ 244,271,613</b>

Not all the tax increment is available to a redevelopment agency. Pursuant to Assembly Bill 1290, Chapter 942, Statutes of 1993, project areas formed or amended after January 1, 1994, are required to pay a portion of their tax increments, on a graduated basis, to the local taxing agencies within its area. All payments are calculated against the net tax increment after the agency has set-aside the 20% obligation to the Low and Moderate Income Housing Fund.

For the first ten years, this “pass-through” payment is based on 25% of the net tax increment. This payment continues for the life of the project area. Beginning in year eleven and continuing for the remaining life of the project area, an additional 21% of the net tax increment is passed-through, based on the incremental growth over the tenth fiscal year assessed value. Beginning in year thirty-one and continuing for the remaining life of the project area, an additional 14% of the net tax increment is passed-through, based on the incremental growth over the thirtieth fiscal year assessed value.

For project areas formed prior to January 1, 1994, certain Health and Safety Code provisions allowed cities, counties, and special districts — and required school districts and community college districts — to elect to receive that portion of the tax increment generated by the annual increase in assessed valuation due to inflation. In lieu of this provision, local taxing agencies could opt to receive tax increment pass-through payments based upon a negotiated agreement with the redevelopment agency. The local taxing agency was required to demonstrate to the redevelopment agency that these payments were necessary to alleviate a financial burden created by redevelopment activities. The pass-through payments in place pursuant to these agreements are grandfathered and remain in effect throughout the life of the project area.



Schedule 11 summarizes the distribution of tax increment revenues between the redevelopment agencies and other taxing entities for the 1997-98 fiscal year and presents summary information for the 1996-97 fiscal year. Data are presented as reported by the redevelopment agencies. In some cases, redevelopment agencies had difficulty compiling this data because the county auditor administers the pass-through payments on behalf of the agency.

### Schedule 11

#### Tax Increment Distribution

(Amounts in thousands)

Pass-Through Payments Per Health and Safety Code Section	1997-98				1996-97
	33401	33676	33607	Totals	Totals
Counties .....	\$ 142,027	\$ 8,644	\$ 1,015	\$ 151,686	\$ 144,503
Cities .....	1,434	405	260	2,099	1,633
School Districts .....	28,665	4,020	430	33,115	31,167
Community College Districts .....	4,625	508	83	5,216	4,279
Special Districts .....	37,973	1,296	315	39,584	38,720
<b>Total Paid to Taxing Agencies .....</b>	<b>\$ 214,724</b>	<b>\$ 14,873</b>	<b>\$ 2,103</b>	<b>\$ 231,700</b>	<b>\$ 220,302</b>

Schedule 12 reconciles the total tax increment generated for the 1996-97 and 1997-98 fiscal years and shows the amount available for redevelopment purposes after pass-throughs. This is the net amount with which redevelopment agencies accomplish all of their purposes, including payments to the Low and Moderate Income Housing Fund (Low/Mod Fund).

### Schedule 12

#### Reconciliation of Total Tax Increment Generated

(Amounts in thousands)

	1997-98	1996-97
Total Tax Increment Generated in Project Areas <sup>1</sup> .....	\$ 1,626,287	\$ 1,502,444
Less Amounts Paid to Taxing Agencies .....	231,700	220,302
<b>Net Tax Increment Available to Agencies .....</b>	<b>\$ 1,394,587</b>	<b>\$ 1,282,142</b>

<sup>1</sup> Some agencies do not include amounts passed through to other local taxing agencies, pursuant to Health and Safety Code Section 33676, as tax increment revenue on their Statement of Revenues and Expenditures. Therefore, the amount listed above will be greater than the amount accrued as tax increment revenue listed on Schedules 5 and 6.

## Statement of Indebtedness

Tax increment revenues retained by redevelopment agencies, net of pass-through payments to other local taxing agencies and the required set-aside to the Low and Moderate Income Housing Fund, may only be expended for the purpose of repaying principal and interest on any type of loan, advance, or indebtedness listed on the Statement of Indebtedness. In order to receive revenues generated, an agency must file a Statement of Indebtedness (SOI) with its county auditor. If the county auditor does not dispute the amount of indebtedness as filed, the agency must be paid the

portion of taxes generated from the incremental assessed valuation in an amount not to exceed the total debt listed on the SOI, less available revenues. The amounts shown include principal and interest remaining to be paid over the term of the indebtedness.

The meaning of “indebtedness,” for the purposes of the SOI, is not limited to the formal accounting definition of indebtedness but is expanded to include all redevelopment obligations, whether pursuant to an executory contract, a performed contract, or to repay principal and interest on bonds or loans. Obligations to the Low and Moderate Income Housing Fund are defined in the Health and Safety Code to be “indebtedness” for the purpose of the SOI.

The SOI is perhaps the least understood aspect of the redevelopment process. It itemizes all future tax increment requirements for the purpose of repaying indebtedness. In preparing the SOI, an agency must take into consideration any and all obligations, contracts to perform, and legal and binding agreements such as pass-through payments. The exact amounts of these payments are not always known until the year in which they must be paid, such as pass-throughs and set-asides to the Low and Moderate Income Housing Fund, both of which may or may not be directly tied to the amount of tax increment received. Estimates must be made for these amounts to indicate what the indebtedness is for the life of the project area.

To facilitate the accurate tracking of the SOI, an agency must also prepare a reconciliation statement showing all changes from the prior year’s SOI to the current one. All new indebtedness, payments, adjustments, and modified estimates are itemized and explained in this document.

In addition, an agency may have on hand revenues or resources that are committed to the repayment of indebtedness. This amount, called available revenues, is also calculated annually. This calculated amount is deducted from the total indebtedness to determine the net amount needed for an agency to meet all of its future indebtedness obligations.

In preparing the data for publication, it was noted that some SOIs are prepared in ways that indicate a lack of understanding on the part of redevelopment agencies as to the critical aspects of the document. All future demands for tax increment are to be itemized in the document, yet some agencies omit their required funding of the Low and Moderate Income Housing Fund, future administrative cost requirements, and other costs that would be funded from future tax increments. Assembly Bill 1290, Chapter 942, Statutes of 1993, added requirements that redevelopment agencies adopt certain time limits regarding the establishment of new indebtedness, the effectiveness of the redevelopment plan, and the final date for the repayment, from tax increment, of all indebtedness. These requirements make it crucial that agencies include the above-mentioned indebtedness to enable an agency to generate sufficient tax increment to meet all of its obligations within those set time limits.

For example, 103 agencies reported indebtedness for the 1997-98 fiscal year but did not include an obligation to the Low and Moderate Income Housing Fund. These agencies reported a total of \$4.0 billion in indebtedness. In order to factor in a 20% set-aside obligation, these agencies would have to increase their SOI by \$1.0 billion. This calculation does not take into consideration those agencies that may have made findings exempting them from all or a part of their set-aside obligation.

Schedule 13 shows the amounts reported on the SOIs in a summarized form, combining the major types of indebtedness. Detailed information is presented on Table 7 of this publication.

### Schedule 13

#### Statement of Indebtedness

(Amounts in thousands)

	1997-98	1996-97
Tax Allocation Bond Debt .....	\$ 16,505,485	\$ 16,175,727
Revenue Bond Debt .....	2,657,282	2,621,672
Other Long-Term Debt .....	2,744,230	2,502,551
Advances from City/County .....	4,864,463	5,451,115
Low and Moderate Income Housing Fund .....	4,904,305	5,108,305
All Other Indebtedness .....	9,878,411	9,933,845
<b>Total Indebtedness .....</b>	<b>41,554,176</b>	<b>41,793,215</b>
Available Revenues .....	(1,939,601)	(1,696,295)
<b>Net Tax Increment Requirement .....</b>	<b>\$ 39,614,575</b>	<b>\$ 40,096,920</b>

## Changes and Trends

Over the years, legislation has amended the meaning of “redevelopment” in order to meet the diverse needs of California. In addition to rehabilitating blighted areas by making property available for new development, various legislative proposals have asked redevelopment agencies to provide shelter for the homeless, establish day care for children, deal with hazardous wastes, fund fire protection, ensure notification of industrial plant closures, and fund pension liabilities. Although not all of these requests have become law, the Legislature has permitted redevelopment agencies to engage in various activities. Redevelopment has provided flood control measures, financed housing for low-income families, assisted sports arenas, and operated amusement parks.

The State Controller’s Office has collected financial transaction reports from community redevelopment agencies since the 1967-68 fiscal year. In the fiscal years preceding 1984-85, the reports were compiled annually in the *Special Districts Annual Report*. These earlier reports contained significantly less detail. Agencies that did not receive tax increments were previously not required to file a report and thus were not included in the special districts publication. Schedule 14 briefly outlines the increase in the number of established agencies over time. For the 1997-98 fiscal year, 36 agencies, or 8.9%, reported having no financial transactions. In the 1996-97 fiscal year, 38 agencies, or 9.5%, reported having no financial transactions.

**Schedule 14****Number of Agencies and Project Areas <sup>1</sup>**

Period	Agencies		Project Areas	
	Established	Total	Formed	Total
1996-98 .....	9	403	37	796
1991-95 <sup>2</sup> .....	32	394	92	759
1986-90 <sup>2</sup> .....	51	362	169	667
1981-85 .....	114	311	199	498
1976-80 .....	39	197	95	299
1971-75 .....	72	158	124	204
1966-70 .....	40	86	45	80
1961-65 .....	14	46	20	35
1956-60 .....	24	32	12	15
1951-55 .....	4	8	1	3
1940-50 .....	4	4	2	2

<sup>1</sup> Due to new formations, amendments, or merging of project areas annually, the total counts of project areas will vary from year to year. This count is based upon project areas existing and reporting during this fiscal year. Only the remaining merged area is counted in the case of mergers, and project areas that may have completed their life would be dropped from the counts.

<sup>2</sup> The Encinitas and American Canyon Redevelopment Agencies were dissolved. Additionally, it was determined that the Fort Ord Reuse Authority had not established a redevelopment agency, as it had previously reported.

Counties have raised concerns regarding the impact city community redevelopment agencies have on county revenues. In recent years, however, counties have established project areas. Twenty-six counties have redevelopment agencies, with 17 reporting financial transactions in the 1997-98 fiscal year. Four agencies have recently been formed as a result of joint exercise of powers agreements between one or more communities. Each of these joint powers entities are currently active. Of these, three were formed as a result of military base closures, to assist the local communities in economic recovery and base reuse programs. Schedule 15 shows the number of active and inactive agencies and project areas by the forming entity.

**Schedule 15****Number of Agencies and Project Areas by Forming Body**

Formed by	Agencies			Number of Project Areas
	Inactive	Active	Total	
Counties .....	9	17	26	53
Cities .....	27	346	373	739
Joint Exercise of Powers Agreements .....	—	4	4	4
<b>Total</b>	<b>36</b>	<b>367</b>	<b>403</b>	<b>796</b>

Schedule 16 shows the number of cities that have an active redevelopment agency or an inactive agency, or where no agency has been established. Of the 471 cities existing in the 1997-98 fiscal year, 79.2% had at least

authorized an agency. Of the 142 cities with a population of 50,001 or greater, 93% had active agencies. Of the 27 inactive city agencies, 81.4% were in cities with a population of less than 25,001.

#### Schedule 16

##### Number of City Agencies by Population Group

Population Group	Cities With Active Agencies	Cities With Inactive Agencies	Cities With No Agencies	Total
Under 10,000 .....	58	14	55	127
10,001 to 25,000 .....	72	8	20	100
25,001 to 50,000 .....	84	5	13	102
50,001 to 100,000 .....	76	—	9	85
100,001 to 250,000 .....	45	—	1	46
Over 250,000 .....	11	—	—	11
<b>Total .....</b>	<b>346</b>	<b>27</b>	<b>98</b>	<b>471</b>

The relative physical size of project areas, as well as their increasing numbers, may have an impact on other taxing agencies and the allocation of property taxes. Project areas reported vary in size from approximately two acres to more than 46,000 acres. Schedule 17 summarizes the number of project areas by acre.

#### Schedule 17

##### Number of Project Areas by Acres

Number of project areas not reporting acreage .....	58
2-50 .....	79
51-100 .....	56
101-500 .....	243
501-2,500 .....	278
2,501-6,000 .....	56
Over 6,000 .....	26
<b>Total .....</b>	<b>796</b>

Each agency was asked to indicate the various objectives of each of its project areas. The purpose most often cited was commercial development. Many project areas are engaged in multiple objectives. Schedule 18 summarizes the number of project areas engaged in the most frequently cited objectives.

#### Schedule 18

##### Objectives of Redevelopment

Commercial .....	681
Residential .....	577
Public .....	574
Industrial .....	460
Other .....	214
<b>Total .....</b>	<b>2,506</b>

## Redevelopment Agency Accomplishments

Table 3 reports information regarding accomplishments or achievements of redevelopment agencies during the 1997-98 fiscal year. In order to provide information about the accomplishments that are a direct result of redevelopment activities, data have been collected regarding estimates of jobs created and the amount of square footage completed of new and rehabilitated buildings. However, the data are limited to the most current fiscal year, while projects almost always extend over several years. To avoid overlap of information, agencies are required to provide data only for those projects or accomplishments completed during the report year. In addition to the achievements outlined below, many public infrastructure facilities such as streets, utilities, sewer, and landscaping projects were improved or constructed. An estimated 41,049 jobs were created in the 1996-97 fiscal year, and 29,308 jobs were created in the 1997-98 fiscal year. Additional information on the accomplishments of specific project areas may be found in the commentaries in Appendix A.

The data reported in Table 3 are presented as reported to the State Controller's Office and have not been reviewed or verified as to accuracy or reliability. Schedule 19 summarizes this information for the past 10 years.

### Schedule 19

#### Square Footage by Type of Construction Completed and Jobs Created

(Amounts in thousands)

	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
<b>New Construction</b>										
Commercial Buildings .....	4,892	5,630	4,689	6,147	5,232	12,002	16,407	7,452	8,754	11,083
Industrial Buildings .....	10,717	9,096	4,517	2,627	4,754	3,897	3,033	7,571	11,122	11,190
Public Buildings .....	453	719	1,048	1,018	3,229	2,668	1,794	1,065	1,564	2,348
Other Buildings .....	4,416	2,486	2,711	1,739	3,243	3,912	4,438	2,367	4,719	5,689
<b>New Construction Square Footage .....</b>	<b>20,478</b>	<b>17,931</b>	<b>12,965</b>	<b>11,531</b>	<b>16,458</b>	<b>22,479</b>	<b>25,672</b>	<b>18,455</b>	<b>26,159</b>	<b>30,310</b>
<b>Rehabilitated Construction</b>										
Commercial Buildings .....	1,953	1,699	2,084	2,025	2,267	1,869	2,308	2,340	2,380	2,480
Industrial Buildings .....	1,151	1,682	1,370	1,112	663	1,058	1,023	336	200	229
Public Buildings .....	94	176	612	212	244	374	331	254	243	89
Other Buildings .....	1,117	711	1,298	1,708	786	1,245	4,230	693	635	411
<b>Rehabilitated Construction Square Footage .....</b>	<b>4,315</b>	<b>4,268</b>	<b>5,364</b>	<b>5,057</b>	<b>3,960</b>	<b>4,546</b>	<b>7,892</b>	<b>3,623</b>	<b>3,458</b>	<b>3,209</b>
<b>Total Square Footage .....</b>	<b>24,793</b>	<b>22,199</b>	<b>18,329</b>	<b>16,588</b>	<b>20,418</b>	<b>27,025</b>	<b>33,564</b>	<b>22,078</b>	<b>29,617</b>	<b>33,519</b>
<b>Jobs Created .....</b>	<b>29</b>	<b>41</b>	<b>26</b>	<b>37</b>	<b>25</b>	<b>26</b>	<b>29</b>	<b>23</b>	<b>29</b>	<b>33</b>

## School District/ Community College District Assistance

Educational assistance includes financial assistance as well as capital outlay assistance. This comes in various forms, including pass-through agreements and the sharing of the tax increment produced by the 2% growth on the base assessed valuation. In addition, the Health and Safety Code allows an agency to assist school districts in capital outlay assistance by financing actual construction, purchasing or financing of facilities or, when the activities of the agency cause overcrowding of schools, by providing financing assistance to alleviate the overcrowding. State totals for these forms of assistance are reflected in Schedule 20.

### Schedule 20

#### School District/Community College District Assistance

(Amounts in thousands)

	School Districts	Community College Districts	Totals	
			1997-98	1996-97
<b>Other Financial Assistance</b>				
Tax Increment Pass-Throughs .....	\$ 33,115	\$ 5,216	\$ 38,331	\$ 35,446
Other Financial or Construction Aid .....	2,458	479	2,937	2,455
<b>Total Other Financial Assistance</b> .....	<b>\$ 35,573</b>	<b>\$ 5,695</b>	<b>\$ 41,268</b>	<b>\$ 37,901</b>

# Supplemental Information



## General Comments

The following commentaries are presented in an effort to clarify specific and/or unique circumstances of particular redevelopment agencies. The State Controller's Office has highlighted those items that were particularly noticeable during the course of preparing this publication.

All code section references are to the Health and Safety Code, unless otherwise noted.

## Alameda County

*Emeryville Redevelopment Agency* — Among its accomplishments during the year, the agency included:

- A. Completing the 220-unit BridgeCourt Housing Project;
- B. Completing the 64th Street housing projects;
- C. Completing Building #1 of the Chiron Bio-Tech Campus;
- D. Completing the AIDS Housing Project; and
- E. Rehabilitating Fire Station #2.

*Redevelopment Agency of the City of Fremont* <sup>3/4</sup> Among its accomplishments during the year, the agency included:

- A. Completing the grand opening of Park Vista Apartments, a 60-unit affordable rental development that includes two housing scholarship units and one unit reserved for the developmentally disabled;
- B. Preserving existing affordable below-market-rate units at Sundale Arms, which will remain 100% affordable for those at or below 60% of area median income;
- C. Collaborating with, and providing Community Development Block Grant and Redevelopment Agency funds to, the Tri-City Homeless Coalition for the successful purchase of Bridgeway Development, an eight-unit existing apartment complex for transitional housing; and
- D. Committing up to 50% of the city's federal HOME funds to rent subsidies to help facilitate (through the Housing Scholarship Program) a successful transition from welfare to a sustainable livelihood for persons in job training.

*City of Livermore Redevelopment Agency* — The compliance audit opinion noted the following areas of noncompliance:

- A. The agency's general plan included a housing element that had not yet been approved by the State Department of Housing and Community Development, as required by Code Section 33302; and
- B. The agency did not allocate interest income to the Low and Moderate Income Housing Fund, as prescribed by Code Section 33334.3.

**Alameda County  
(Continued)**

*Union City Redevelopment Agency* — Acquired two properties, in different locations within the Community Resource Center Project Area, to be used as community resource centers. The centers are located in areas that suffered from high crime rates constituting a threat to public safety and welfare. These centers have remedied blighting conditions and improved the quality of life for the citizens by providing community/social service support resources, including police services, and recreational facilities for area residents and others in the community.

**Contra Costa  
County**

*Antioch Development Agency* — Code Section 33333.6 limits the timeframe that redevelopment agencies have for establishing loans, advances, and indebtedness to not exceed 20 years. The agency has not adopted these limitations for the last three fiscal years.

*Hercules Redevelopment Agency* — The agency did not file the independent auditor's report on its financial statements for the fiscal year ended June 30, 1998, as required by Code Section 33080.1.

*Pleasant Hill Redevelopment Agency* — Among its accomplishments during the year, the agency included:

- A. Payment of approximately \$2,100,000 in relocation benefits to commercial displacees, many of which found replacement sites in Pleasant Hill or adjacent communities;
- B. Payment of approximately \$1,300,000 in relocation benefits to 67 residential displacees. As a direct result of the agency's First-Time Home Buyer seminars, 33% of the 63 tenured households, or 21 households, purchased first homes using their benefits as down payment;
- C. Relocation of all occupants commenced in January 1998 and was completed by August 1998, with over 500 relocation claims processed by the agency; and
- D. Continuing its community program of housing rehabilitation, using low and moderate housing funds. During the fiscal year ended June 30, 1998, four loans were approved and three grants were made totaling \$158,000. The City of Walnut Creek has contracted with the Pleasant Hill Redevelopment Agency to administer and manage its housing rehab program.

*Richmond Redevelopment Agency* <sup>3/4</sup> The agency did not file the independent auditor's report on its financial statements for the fiscal year ended June 30, 1998, as required by Code Section 33080.1.

*Redevelopment Agency of the City of San Pablo* — Among its accomplishments during the year, the agency included:

- A. Revitalization of the Old Town Commercial Area and 23rd Street;

**Contra Costa  
County  
(Continued)**

- B. Reconstruction of San Pablo Avenue, North and South;
- C. Rehabilitation of an office building into a new Police Department;
- D. Rehabilitation of the old police building into a housing/recreational center; and
- E. Rehabilitation of the City Administration Office.

**Del Norte County**

*Crescent City Redevelopment Agency* — Among its accomplishments during the year, the agency included:

- A. Completing Jefferson State Brewery, which is located along the main beachfront street and offers a harbor/ocean view. This project has provided several new jobs for the community;
- B. Providing assistance to four very-low-income senior citizens to make necessary home improvements. Through the Senior Home Repair Program (SHARP), these homeowners were given the opportunity to repair severely leaking roofs, etc. In February 1998, SHARP was expanded to include eligible non-seniors; and
- C. Using funds to repair unsightly sidewalk areas, reduce pedestrian hazards, and provide more handicap access in project areas 1 and 2.

**Fresno County**

*Coalinga Redevelopment Agency* — The financial audit opinion noted that the agency did not file the independent auditor's report for the 1997-98 fiscal year in a timely manner, as required by Code Section 33080.1

*Fowler Redevelopment Agency* — The agency did not file the independent auditor's report on its financial statements for the fiscal year ended June 30, 1998, as required by Code Section 33080.1.

*San Joaquin Redevelopment Agency* <sup>¾</sup> The financial audit opinion noted that the financial statements do not include the general fixed assets account group, which is necessary to conform with generally accepted accounting principles. The amounts that should be recorded in the general fixed assets account group are unknown.

*Selma Redevelopment Agency* — The agency did not file the independent auditor's report on its financial statements for the fiscal year ended June 30, 1998, as required by Code Section 33080.1.

**Glenn County**

*Willows Community Redevelopment Agency* — The independent auditor's report did not include a compliance opinion.

**Imperial County**

*Holtville Redevelopment Agency* — The financial audit opinion noted that the financial statements do not include the general fixed assets account group, which is necessary to conform with generally accepted accounting principles. The amounts that should be recorded in the general fixed assets account group are unknown.

## **Kern County**

*Central District Development Agency of the City of Bakersfield* — Among its accomplishments during the year, the agency included:

- A. Completing the Chester Avenue Streetscape Improvement Project, with \$448,000 contributed by the agency for construction costs. The streetscape improvements include medians, drainage, traffic signal modifications, backfill, brickwork, crosswalks, irrigation systems, landscaping, flag poles, benches, trash receptacles, and banners;
- B. Rehabilitation of KGET-TV's facility, a television broadcasting studio. The agency entered into a Disposition and Development Agreement with KGET-TV, assisting them with the purchase of a 27,000 square foot building in the downtown area. Assistance to KGET-TV consisted of a rebate of 75% of the tax increment generated by the project for a seven-year period beginning January 31, 1998. The amount of tax increment rebates is limited to \$25,000 per year or \$175,000 over the term of the agreement, and will cease after July 31, 2005;
- C. Providing redevelopment assistance to the Greater Bakersfield Chamber of Commerce for its relocation to 1725 Eye Street. At the new location, the Chamber constructed a 6,000-8,000 square-foot building, on land donated to the Chamber by the *Bakersfield Californian*; and
- D. Contributing \$256,198, from the Housing Fund, for use in the First-Time Homebuyer's Program. This program provides qualified applicants with up to \$3,500 for down payment and closing costs associated with the purchase of their first home. So far, the program has provided 60 loans and leveraged over \$4 million of local funds from mortgage institutions.

## **Kings County**

*Redevelopment Agency of the City of Hanford* — Among its accomplishments during the year, the agency reported the remodeling of Kings Industrial Park, adding 31,000 square feet and 55 new jobs.

## **Lassen County**

*Susanville Redevelopment Agency* — The agency did not file the independent auditor's report on its financial statements for the fiscal year ended June 30, 1998, as required by Code Section 33080.1.

## **Los Angeles County**

*Agoura Hills Redevelopment Agency* — The compliance audit opinion noted the following areas of noncompliance:

- A. The agency had not obtained a letter from the Department of Housing and Community Development stating that its housing element substantially complies with Code Section 33302; and

**Los Angeles  
County  
(Continued)**

- B. The agency had failed to file, with the county auditor, a statement of indebtedness within the timeframe required by law, as required by Code Section 33675.

*Alhambra Redevelopment Agency* — Among its accomplishments during the year, the agency included:

- A. Development and construction of an 54,000 square-foot Lucky/Sav-On center, and a 2,500 square-foot Carl's Jr. restaurant;
- B. Rehabilitation of 70,388 square feet of commercial space, including Golden Lion Restaurant facade improvement, Lovebird's Bakery, Senior Fish Restaurant, Smart 'N' Final commercial center, Charlie's Trio Restaurant, Mazda Dealership, Starbucks Coffee, and Clearwater Bagel.

*Arcadia Redevelopment Agency* <sup>3/4</sup> Among its accomplishments during the year, the agency reported the construction of a three-story, 122 room, Extended Stay America Hotel.

*City of Azusa Redevelopment Agency* — Among its accomplishments during the year, the agency included:

- A. Conveyance of the Palo Property, located at 1000 W. Foothill Blvd, to an owner/developer who completed construction of a 60,000 square-foot hardwood floor retail/warehouse business, Virginia Hardwoods, providing 50 new jobs and a \$2.5 million improvement value;
- B. Completion of the 24,000 square-foot expansion of the Morris National candy manufacturing plant, creating 10 new jobs;
- C. Completion, by students of the Regional Opportunities Program (ROP), of the ROP Home/Phase 1 construction of a 3-bedroom, 1,331 square-foot single family dwelling on Orange Avenue. The home was then sold at market rates;
- D. Approval of one rebate and two loan programs for the Commercial Rehabilitation Program. The first program provides a 75% rebate for cosmetic repairs, such as painting, signs, landscaping, etc. The second program provides deferred payment loans for more substantial interior and exterior repairs. The third program focuses on unreinforced masonry structures. One \$20,000 loan was funded;
- E. Completion of roofing improvements on the agency owned property located on North Azusa Avenue;
- F. Major rehabilitation of the old Price Club warehouse for occupancy by S & S Foods, a food processing facility, adding \$2 million in improvement value and 200 new jobs. On another part of the site, a new gas station was constructed;

**Los Angeles  
County  
(Continued)**

- G. Rehabilitation of an older shopping center, located on Gladstone and Azusa Avenues, including facade and parking lot improvements; and
- H. Partial funding of administration expenses for a comprehensive single and multi-family housing rehabilitation program funded with CDBG and HOME funds. Eighty housing units were rehabilitated, with an improvement value of \$428,082.

*Baldwin Park Redevelopment Agency*  $\frac{3}{4}$  The agency did not file the independent auditor's report on its financial statements for the fiscal year ended June 30, 1998, as required by Code Section 33080.1.

*Bell Gardens Redevelopment Agency* — The compliance audit opinion noted that, pursuant to Health and Safety Code Section 33334.6(g), if an agency, in any fiscal year, deposits less than 20% of the taxes allocated to the agency, pursuant to Code Section 33670, in the Low and Moderate Income Housing Fund, the amount equal to the difference between 20% of the taxes allocated to the agency for each affected project, and the amount deposited that year, shall constitute a deficit of the project. The agency is required to adopt a plan to eliminate the deficit in subsequent years. The Bell Gardens Community Development Commission has deferred a total of \$583,321 from its low and moderate income housing obligation. The Commission has not yet adopted a plan to eliminate the deficit in subsequent years.

*Burbank Redevelopment Agency* — Among its accomplishments during the year, the agency included:

- A. Completing a new police/fire facility; and
- B. Completing street improvements to Third Street, Palm Avenue, and Orange Grove Avenue.

*Claremont Redevelopment Agency* — Among its accomplishments during the year, the agency included:

- A. Completing the Bonita/Indian Hill development, with six new businesses signing leases;
- B. Installation of phase one of new Village street lights; and
- C. Renovating the City Hall, in accordance with a 1994 agreement.

*Covina Redevelopment Agency* — The compliance audit opinion noted that, because the city's housing element did not comply with Government Code Section 65300, the agency was not in compliance with Code Section 33302. In order to obtain approval, the city submitted a revised plan. On February 28, 1995, a response from the State Department of Housing and Community Development was received denying approval for the revised plan. Subsequent to February 28, 1995, there have been ongoing communications between the agency and the State, aimed at resolving this issue.

**Los Angeles  
County  
(Continued)**

*Diamond Bar Redevelopment Agency* — The compliance audit opinion noted that the agency was not in compliance with Code Section 33302, because the city's housing element did not comply with Government Code Section 65300. In a letter from the Department of Housing and Community Development, the State indicated that the housing element did not clearly identify adequate sites to accommodate the city's moderate and lower income housing needs. The city is currently in the process of revising its housing element to eliminate deficiencies and bring the element into compliance.

*Downey Community Development Commission* — The compliance audit opinion noted that the agency's general plan included a housing element that had not yet been approved by the State Department of Housing and Community Development, as required by Code Section 33302.

*Glendora Community Redevelopment Agency*  $\frac{3}{4}$  Among its accomplishments during the year, the agency included:

- A. Completing below market price rental dwelling units for 46 eligible senior households;
- B. Rehabilitating 17 mobile homes for low and very-low-income households;
- C. Use of Low and Moderate Income Housing funds, during the fiscal year, to pay debt service on land acquired for a senior housing project;
- D. Provision of Low and Moderate Income Housing funds to 21 first-time home buyers; and
- E. Assisting, through the first-time homebuyer program, two low-income households, eight moderate-income households, and 11 median-income households.

*Hawaiian Gardens Redevelopment Agency*  $\frac{3}{4}$  The financial audit opinion noted that there is substantial doubt about the agency's ability to continue as a going concern. If the agency is unable to reduce administrative expenditures and receive proceeds from the sale of property held for resale, the agency may have considerable difficulty meeting its obligations as they become due.

Management has curtailed its operating expenditures and slowed its redevelopment efforts. They are developing a spending plan for on-going operations and are in the process of liquidating property held for resale. As these properties are sold, outstanding obligations will be paid. The agency is current in payment of all outstanding bonded indebtedness and bond reserves. Additional tax increment revenues are expected in subsequent fiscal years, from increased assessed values as a result of local development in process within the Hawaiian Gardens Project Area.

**Los Angeles  
County  
(Continued)**

In addition, the compliance audit opinion noted the following areas of noncompliance:

- A. The District did not adopt a budget for the 1997-98 fiscal year, as required by Health and Safety Code 33606;
- B. The agency acquired nine properties prior to June 30, 1993, using Low and Moderate Income Housing funds, and has not initiated development as required by Health and Safety Code Section 33334.16;
- C. The agency did not adopt an implementation plan on or before December 31, 1994, as required under Section 33490 of the Health and Safety Code; and
- D. Signed copies of the minutes were not made available for public examination (because the minutes were not signed in a timely manner), as required per Code Section 33125.5.

*Industry Urban Development Agency*  $\frac{3}{4}$  The independent auditor's report did not include a compliance opinion.

*Inglewood Redevelopment Agency* — The compliance audit opinion noted the agency did not maintain a separate fund for low and moderate-income set-aside monies, as required by Code Section 33334.3. However, the agency did establish a separate Capital Projects Fund to account for these funds on September 30, 1997, the agency's fiscal year end.

*La Mirada Redevelopment Agency*  $\frac{3}{4}$  Among its accomplishments during the year, the agency included:

- A. Completing construction of Nationwide Paper, a 237,000 square-foot distribution facility;
- B. Completing construction of Extended Stay America Hotel;
- C. Completing construction on the final 61 units of the 303-unit Hillsborough Collection Housing Development, consisting of three single-family neighborhoods; and
- D. Completing expansion, with a 130,459 square-foot distribution facility for Viking Office Products, of the La Mirada Commercenter.

*Lynwood Redevelopment Agency*  $\frac{3}{4}$  The agency did not file the independent auditor's report on its financial statements for the fiscal year ended June 30, 1998, as required by Code Section 33080.1.

*Monrovia Redevelopment Agency* — The compliance audit opinion noted the following areas of noncompliance:

- A. As of June 30, 1998, the agency had no procedures for monitoring the status of housing and had no system to notify displaced persons of available low and moderate income housing, as required by Code



**Los Angeles  
County  
(Continued)**

Section 33418. However, during October 1998, the agency entered into an agreement with a third party to provide the required monitoring; and

- B. The agency does not have procedures in place to grant priority for renting or replacement housing to displaced persons, as required by Code Section 33411.3.

Among its accomplishments during the year, the agency reported the completion of a 17,500 square-foot building for Addmaster Corporation.

*Community Redevelopment Agency of the City of Monterey Park* — Among its accomplishments during the year, the agency included:

- A. Completing TELACU Monterey Park Plaza, a 67-unit senior housing project; and
- B. Completing Pacific Bridge, a home for developmentally disabled adults. Six adults live in the modified single family residence, with the goal that they will all hold outside jobs.

*Palmdale Redevelopment Agency* — Among its accomplishments during the year, the agency included:

- A. Rehabilitating 28 multi-family units, and the acquisition of an additional 45 units, under the Downtown Revitalization Plan;
- B. Rehabilitating 55 homes through the Handy Worker Grant Program;
- C. Painting 54 homes, landscaping 56 homes, and replacing asphalt driveways for 49 homes in Focus Neighborhood #1, through the Neighborhood Improvement Program; and
- D. Assisting 21 first-time homebuyers.

*Redevelopment Agency of the City of Pomona* <sup>¾</sup> The compliance audit opinion noted the following areas of noncompliance:

- A. Code Section 33413 requires that all low- to moderate-income housing units destroyed or removed from the housing market by the agency must be replaced by rehabilitation or construction within four years of destruction or removal. The agency failed to meet this requirement;
- B. The agency did not begin development of land held for resale, purchased with low- to moderate-income set-aside monies, within five years of acquisition. A resolution to extend the allowable time period before development was not filed, as required by Code Section 33334.16; and
- C. The agency did not hold a public hearing on the implementation plan, as required by Code Section 33490.

**Los Angeles  
County  
(Continued)**

*Rancho Palos Verdes* — The compliance audit opinion noted that the agency's general plan included a housing element that had not yet been approved by the State Department of Housing and Community Development, as required by Code Section 33302.

*Redevelopment Agency of the City of Santa Fe Springs*  $\frac{3}{4}$  The compliance audit opinion noted that the agency's general plan included a housing element that had not yet been approved by the State Department of Housing and Community Development, as required by Code Section 33302. These revisions were not made as of June 30, 1998.

Among its accomplishments during the year, the agency reported the construction of seven low and moderate-income single family homes, which have all been sold.

*Signal Hill Redevelopment Agency* — The compliance audit opinion noted that the agency's general plan included a housing element that had not yet been approved by the State Department of Housing and Community Development, as required by Code Section 33302.

Among its accomplishments during the year, the agency reported granting 14 Certificates of Occupancy for the Village, a 52-unit single family development. Eight of the 14 occupants received First-Time Buyer assistance from the agency.

*South El Monte Redevelopment Agency*  $\frac{3}{4}$  The compliance audit opinion noted the following areas of noncompliance:

- A. The District did not adopt a budget for the 1997-98 fiscal year, as required by Health and Safety Code 33606; and
- B. The District calculated its 20% low and moderate housing set aside base on net tax increment, not gross tax increment.

*Redevelopment Agency of the City of South Gate*  $\frac{3}{4}$  Among its accomplishments during the year, the agency included:

- A. Construction of a new Ford dealership;
- B. Construction of a 49-room motor hotel;
- C. Removal of asbestos and contaminated soil from a vacant automotive dealer site; and
- D. Assisting a social service agency in the renovation of a former auto service facility.

*Temple City Community Redevelopment Agency*  $\frac{3}{4}$  The compliance audit opinion noted the following areas of noncompliance:

- A. The agency was not in compliance with Code Section 33302, because the city's housing element did not comply with Government Code Section 65300. The housing element should analyze the

## Los Angeles County (Continued)

housing needs of special needs groups in Temple City and demonstrate greater commitment to implementing proposed program actions;

- B. Since the last review by the State Housing and Community Development Department, Temple City has implemented a Housing Rehabilitation Program, utilizing 20% set-aside and Community Development Block Grant funds, to attempt to bring its housing element into compliance with the Health and Safety Code. Temple City has virtually no vacant land, and is currently reassessing its infrastructure and fiscal capabilities in an effort to encourage recycling of the older housing stock.
- C. The agency was not in compliance with Health and Safety Code Section 33490 because the city did not hold a public hearing on the implementation plan. Section 33490 requires a public hearing no earlier than two years, and no later than three years after the adoption of the implementation plan. The city's plan was adopted in December 1994, but a public hearing on the plan was not held until July 1998.

*Whittier Redevelopment Agency* — Among its accomplishments during the year, the agency included:

- A. Assisting Habitat for Humanity in the completion of four homes for very-low-income buyers. The homes are now occupied;
- B. Completing a 6,000 square-foot Denny's Restaurant, and the occupancy of 10,000 square feet of previously vacant space by Peter Piper Pizza, in the Whittier Marketplace;
- C. Providing facade grants, which helped to improve several old buildings in the uptown area; and
- D. Making loans to six families through the First-Time Home Buyer program.

## Marin County

*Marin County Redevelopment Agency* — The compliance audit opinion noted the agency maintained its books and records on the county's cash receipts and cash disbursement system, instead of on the Uniform System of Accounts prescribed by the State Controller under Government Code Section 53891. However, the year-end audited financial statements were prepared in accordance with the State Controller's guidelines.

Among its accomplishments during the year, the agency included:

- A. Completing 85 townhome units; and
- B. Completing the Rotary Valley Senior Housing Project, an 80-unit housing development for low- and very-low-income seniors.

**Marin County  
(Continued)**

*Tiburon Redevelopment Agency* — The agency failed to file its annual report for the 1997-98 fiscal year, as required by Code Section 33080. Transactions for this agency do not appear in this publication.

**Mendocino County**

*Fort Bragg Redevelopment Agency* — The compliance audit opinion noted that the agency did not file its Housing Activities Report or its Annual Report of Financial Transactions in a timely manner, as required by Code Section 33080.

*Willits Community Development Agency* — The agency did not file the independent auditor's report on its financial statements for the fiscal year ended June 30, 1998, as required by Code Section 33080.1.

**Merced County**

*Redevelopment Agency of the City of Merced* — Among its accomplishments during the year, the agency included:

- A. Completing the County Bank Headquarters office building; and
- B. Completing a small auto parts store and small office complex.

**Mono County**

*Town of Mammoth Lakes Redevelopment Agency* — The agency failed to file its annual report for the 1997-98 fiscal year, as required by Code Section 33080. Transactions for this agency do not appear in this publication.

**Monterey County**

*Monterey County Redevelopment Agency* — The financial audit opinion noted that the financial statements do not include the general fixed assets account group, which is necessary to conform with generally accepted accounting principles. The amounts that should be recorded in the general fixed assets account group are unknown.

*Sand City Redevelopment Agency* — Among its accomplishments during the year, the agency reported the completion of the Edgewater Shopping Center, a 105,000 square-foot service/retail commercial center, employing 275 people.

*Redevelopment Agency of the City of Seaside* <sup>¾</sup> The agency did not file the independent auditor's report on its financial statements for the fiscal year ended June 30, 1998, as required by Code Section 33080.1.

*Soledad Redevelopment Agency* — The financial opinion noted that the agency had not maintained a complete record of its general fixed assets and, accordingly, had no statement of general fixed assets as required by generally accepted accounting principles.

**Napa County**

*American Canyon Redevelopment Agency* — The City Council of the City of American Canyon finds that there is no further need for a redevelopment agency to function in the City of American Canyon. The American Canyon Redevelopment Agency is hereby dissolved.

## Orange County

*Orange County Redevelopment Agency* — Among its accomplishments during the year, the agency reported the completion of Stadium Promenade, an 180,000 square-foot entertainment/dining/retail complex.

*Brea Redevelopment Agency* — The compliance audit opinion noted that the agency's general plan included a housing element that had not yet been approved by the State Department of Housing and Community Development, as required by Code Section 33302.

*Redevelopment Agency of the City of Buena Park* <sup>¾</sup> The compliance audit opinion noted that the agency did not prepare a plan for relocation of persons displaced from housing facilities in the project area, as required by Health and Safety Code Section 33411.

## Placer County

*Auburn Urban Development Authority* — Among its accomplishments during the year, the agency included:

- A. Installation of new street lighting for the Old Town Shopping District; and
- B. Parking lot landscaping in the Downtown Shopping District.

*Rocklin Redevelopment Agency* — The agency's First-Time Home Buyer Down Payment Assistance Program, established in 1996, has made 33 loans, averaging \$21,237 per family. The program provides low interest, deferred loans in the form of a second loan to eligible first-time homebuyers. The agency has provided funding for four phases, with the last three phases being financed entirely with agency funds.

## Riverside County

*City of Cathedral City Redevelopment Agency* — The compliance audit opinion noted that the housing element of the city's general plan has not yet been approved by the State Department of Housing and Community Development, as required by Code Section 33302.

*City of Desert Hot Springs Redevelopment Agency* <sup>¾</sup> The financial opinion noted that the agency had not maintained a complete record of its general fixed assets and, accordingly, had no statement of general fixed assets as required by generally accepted accounting principles.

In addition, the compliance audit opinion noted the following areas of noncompliance:

- A. The agency had not obtained a letter from the State Department of Housing and Community Development, stating that its housing element substantially complies with Code Section 33302; and
- B. The agency did not file the audited financial statements within State Controller guidelines.

**Riverside County  
(Continued)**

*Redevelopment Agency of the City of Indio* — The compliance audit opinion noted that the agency was not in full compliance with the State housing element law. Significant revisions are necessary to bring the general plan into compliance with State housing element law, as required by Article 10.6 of the Government Code.

*Moreno Valley Redevelopment Agency* — Among its accomplishments during the year, the agency included:

- A. Completion of Cottonwood Place Apartments, a 108-unit family rental project affordable to very-low-income families;
- B. Completing Eastgate street improvements;
- C. Completing Heacock widening project;
- D. Completing Sunnymead Park reconstruction; and
- E. Rehabilitating 31 mobile homes.

*Redevelopment Agency of the City of Perris* <sup>3/4</sup> The compliance audit opinion noted the following areas of noncompliance:

- A. The reports required by Code Section 33080 were not filed in a timely manner;
- B. The agency's detail listing of property held does not indicate the date property was purchased using Low and Moderate Income Housing Funds. The agency is unaware of how long property has been held or whether it has been developed or sold within the five-year time limit, as required by Code Section 33334.16;
- C. Code Sections 33431 and 33433 require an agency to post notice of, and hold hearings for, the sale or lease of agency property. During fiscal year 1997-98, the agency sold several properties without holding the required public hearings;
- D. There is no ongoing system in place to monitor the status of housing, as required by Code Section 33418; and
- E. The agency sold property that may have been from one of its Low and Moderate Housing funds and used some of the proceeds to rehabilitate City Hall. Since the agency and the city are not sure of the origin of the property that was sold, a compliance finding is not determinable.

**Sacramento  
County**

*Redevelopment Agency of the City of Folsom* — Among its accomplishments during the year, the agency included:

- A. Joining forces with Mercy Charities Housing California for the acquisition and rehabilitation of 81 very-low-income affordable apartments in 10 buildings; and

## Sacramento County (Continued)

- B. Assisting more than 200 households with small handyman repairs, through the Seniors Helping Seniors program.

*Redevelopment Agency of the City of Galt* — Among its accomplishments during the year, the agency included:

- A. Providing housing rehabilitation loans and grants to low-income owners for the rehabilitation of seven homes and one sewer line; and
- B. Providing partial funding to the Old Town Street Improvement Project for new sidewalks, handicapped access, drainage, and similar improvements.

*Isleton Redevelopment Agency* — The agency failed to file its annual report for the 1997-98 fiscal year, as required by Code Section 33080. Transactions for this agency do not appear in this publication.

*Redevelopment Agency of the City of Sacramento* — The independent auditor's report did not include a compliance opinion.

## San Bernardino County

*Adelanto Redevelopment Agency*  $\frac{3}{4}$  The financial audit opinion noted that the agency had not maintained adequate records for the fixed assets of the General Fixed Assets Account Group; therefore, they were not satisfied as to the existence or ownership of such assets.

*Redevelopment Agency of the City of Chino*  $\frac{3}{4}$  Among its accomplishments during the year, the agency included:

- A. Completing a 104-unit affordable senior housing project; and
- B. Completing improvements to the historic Gray Building.

*Hesperia Redevelopment Agency*  $\frac{3}{4}$  Among its accomplishments during the year, the agency included:

- A. Completing the Main Street Mailbox Replacement Program; and
- B. Marketing the Commercial Attraction Program, resulting in four participation agreements representing 31,110 square feet of new commercial occupancy and 57 new jobs.

*Highland Redevelopment Agency*  $\frac{3}{4}$  The compliance audit opinion indicated that the City of Highland had not received approval from the State Department of Housing and Community Development regarding the housing element of the city's general plan.

Among its accomplishments during the year, the agency included:

- A. Assisting in the completion of a new storm drain to reduce flooding in certain areas;

**San Bernardino  
County  
(Continued)**

- B. Assisting in the completion of a 184-unit apartment complex for the elderly, to be occupied in January of 1999; and
- C. Renovation of a city police facility.

*Inland Valley Development Agency* — The financial opinion for the agency indicated that the purchase price of \$46,000,000 for Norton Air Force Base had not been allocated between the elements of land, buildings, infrastructure, and deferred interest, and appraisals of the underlying assets had not been obtained by the agency. The independent auditors were not able to satisfy themselves as to the valuation of real property and equipment acquired. The effects on the financial statements were not reasonably determinable.

*Redevelopment Agency of the City of Redlands* — The financial opinion noted that the agency had not maintained adequate records for the fixed assets of the General Fixed Assets Account Group, and accordingly, they were unable to satisfy themselves as to the fixed assets.

*Twentynine Palms Redevelopment Agency* — The compliance opinion for the agency noted the following areas of non-compliance:

- A. Code Section 33333.6 limits the timeframe that redevelopment agencies have for establishing loans, advances, and indebtedness to not exceed 20 years. The agency's plan has a time limit for incurring loans, advances, and indebtedness of 40 years.
- B. Code Section 33411.3 requires redevelopment agencies to have procedures in place for renting and buying replacement housing for displaced households. The agency could not provide those written procedures. However, the agency does not have such projects in place (at this time), and interprets the section to mean it would not apply until such projects are in place.

These compliance exceptions are identical to those stated in the 1996-97 audit.

*Victorville Redevelopment Agency* — Among its accomplishments during the year, the agency included:

- A. Completing a Budget Rental/Sales Car Dealership, employing 15 people;
- B. Completing a 92,000 square-foot building used for an enclosed mini-storage facility;
- C. Issuing a Certificate of Completion for a 3,000 square-foot Dairy Queen Dessert Center; and
- D. Providing assistance to 64 households, consisting of six very-low-, 34 low-, and 24 median-income families, in the acquisition of single-family detached units through the First-Time Home Buyer Program, and the Victorville Mortgage Assistance Program (MAP).



## San Diego County

*City of Encinitas Redevelopment Agency* <sup>¾</sup> The City of Encinitas City Council adopted Ordinance 88-07, stating that there is no further need for a redevelopment agency to function in the City of Encinitas. Following the adoption of this ordinance, the offices of the agency board members are vacated and the capacity of the agency to transact business or exercise any powers suspended until such time as the City Council adopts an ordinance declaring the need for the agency to function. The City of Encinitas Redevelopment Agency is hereby dissolved.

*Community Development Commission of the City of Escondido* <sup>¾</sup> The compliance opinion for the Community Development Commission of the City of Escondido stated: "...under the advice of the city attorney, the Commission set aside 20% of tax increment actually received from the County of San Diego, rather than 20% of the gross tax increment apportionment."

*Community Development Commission of the City of National City* — Among its accomplishments during the year, the agency included:

- A. Completing five new homes for low-income households, and assisting 15 very-low-income households in the rehabilitation of their homes, through the Christmas in July program;
- B. Housing rehabilitation loans made for 24 single-family homes, and three multi-family units;
- C. Assisting 25 low- and moderate-income households with a silent second trust deed as down payment assistance in the purchase of a home, through the First-Time Home Buyer Program; and
- D. Providing 33 low- and moderate-income first-time home buyers closing costs and down payment grants.

*Poway Redevelopment Agency* — Among its accomplishments during the year, the agency included:

- A. Completion of Walter Anderson Nursery, a 14,000 square-foot nursery and garden store;
- B. Completion of Napa Auto Parts, a 12,000 square-foot auto parts store;
- C. Completion of Tecate Industries, a 70,000 square-foot electronic components manufacturing facility;
- D. Completion of Atlas, a 101,000 square-foot transfer and storage facility;
- E. Completion of Hallmark Circuits, a 72,600 square-foot electronic circuits manufacturing facility;
- F. Completion of PDS, a 12,000 square-foot engineering firm;

**San Diego County  
(Continued)**

- G. Completion of Airline Interiors, a 122,000 square-foot airline interiors and safety research manufacturing facility;
- H. Completion of Apricorn, a 16,670 square-foot computer hardware and commercial machinery manufacturing facility;
- I. Completion of Maredy Candy Company, a 29,347 square-foot fundraiser candy facility;
- J. Completion of Power House Exhibits, a 91,657 square-foot trade show exhibits manufacturing facility;
- K. Completion of Underwater Kinnetics, a 60,400 square-foot diving equipment manufacturing facility;
- L. Completion of Cycle Express, a 33,500 square-foot motorcycle auctioning dealership; and
- M. Completion of Schmid Insulation and Fireplace, a 30,000 square-foot commercial insulation and fireplace manufacturing facility.

*Solana Beach Redevelopment Agency* — The compliance audit opinion noted the following areas of noncompliance:

- A. The agency had not yet obtained approval from the State Department of Housing and Community Development for the housing element included in its general plan, as required by Code Section 33302; and
- B. The agency had not adopted an implementation plan on or before December 31, 1994, as required under Code Section 33490.

**San Joaquin County**

*Manteca Redevelopment Agency* — The agency's compliance audit opinion noted that the agency does not have an approved housing element, as required by Code Section 33302.

*Tracy Redevelopment Agency* — The compliance audit opinion noted that the agency's proposed housing element has not been approved by the State Department of Housing and Community Development, as required by Code Section 33302. However, the agency's proposed housing element has been certified by City Council as meeting the requirements of Code Section 33302.

**San Luis Obispo  
County**

*El Paso Robles Redevelopment Agency* — Among its accomplishments during the year, the agency reported the completion of Woodland Plaza II, a 84,000 square-foot retail shopping center.

**San Mateo County**

*Brisbane Redevelopment Agency* — The compliance audit opinion noted that the agency did not file its Housing Activities Report in a timely manner, as required by Code Section 33080.

**San Mateo  
County  
(Continued)**

*Daly City Redevelopment Agency*  $\frac{3}{4}$  Among its accomplishments during the year, the agency included:

- A. Completing School House Station, a 13,000 square-foot, 47-unit affordable rental housing development, which includes a 4,000 square-foot child care center;
- B. Completing Mission Plaza, a strip commercial shopping center;
- C. Remediation of property located on Mission Street; and
- D. Through the Facade Improvement Program, completing one storefront redesign and assisting with another.

*Half Moon Bay Redevelopment Agency*  $\frac{3}{4}$  The agency did not file the independent auditor's report on its financial statements for the fiscal year ended June 30, 1998, as required by Code Section 33080.1.

*Millbrae Redevelopment Agency* — The compliance audit opinion noted that the agency's general plan included a housing element that had not yet been approved by the State Department of Housing and Community Development, as required by Code Section 33302. The agency plans to bring its housing element into compliance during the next fiscal year.

*Redevelopment Agency of the City of Redwood City* — Among its accomplishments during the year, the agency included:

- A. Completing Mezes Plaza, a 56,000 square-foot office building that will house the University of California, Berkeley, Extension Peninsula Center; and
- B. Installation of new sidewalks and street furniture in the downtown corridor.

**Santa Barbara  
County**

*County of Santa Barbara Redevelopment Agency* — The compliance audit opinion noted that the agency had not adopted an implementation plan on or before December 31, 1994, as required under Code Section 33490.

**Santa Clara County**

*Redevelopment Agency of the City of San Jose* — Among its accomplishments during the year, the agency included:

- A. Completing Phase II, a second office tower adding 305,000 square feet and 861 parking spaces, of Adobe Systems corporate headquarters;
- B. Completing the Tech Museum of Innovation, a 112,000 square-foot state-of-the-art facility, in collaboration with The Steinberg Group of San Jose;
- C. Completing a 323-unit market-rate housing development, with 20% of the units set aside for low-income tenants;

**Santa Clara  
County  
(Continued)**

- D. Completing a 36-foot diameter carousel, which opened in December of 1998, in Guadalupe River Park & Gardens;
- E. Completing the 17,500 square-foot Roosevelt Park Tot Lot, which opened in October 1998; and
- F. Completing Phase I of Western Digital, a 59,000 square-foot facility on Rue Ferrari in the Edenvale project area. The facility consists of 35,000 square-feet of clean room space, 15,000 square-feet of office space, and 10,000 square-feet of warehouse space, and employs 200 people.

**Santa Cruz County**

*Watsonville Redevelopment Agency* — The financial audit opinion noted that since the agency did not have a subsidiary ledger for fixed assets available, the auditors were unable to audit assets reported as Investments in Fixed Assets.

Additionally, the compliance audit opinion noted that Code Section 33334.16 requires the initiation of development of land purchased with low and moderate-income housing funds within five years from the date of acquisition. The agency has land that was purchased in 1993 with low and moderate-income housing funds for which development has not been initiated.

**Shasta County**

*Shasta County Redevelopment Agency* — The compliance audit opinion noted that Code Section 33333.6 requires redevelopment project area plans to set a time limit on establishing loans, advances, and indebtedness not to exceed 20 years from the adoption date of the plan, or January 1, 2004, whichever is later. The agency's current project area plan does not contain a time limit.

**Solano County**

*Rio Vista Redevelopment Agency* — The compliance audit opinion noted the following areas of noncompliance:

- A. The agency's proposed housing element has not been approved by the State Department of Housing and Community Development, as required by Code Section 33302. The city's draft element of the general plan was reviewed and approved by HCD in July 1992. However, a City Council approved element has not been received by HCD; and
- B. The agency has not adopted an implementation plan on or before December 31, 1994, as required under Section 33490 of the Health and Safety Code.

*Redevelopment Agency of the City of Vallejo* — The Southeast Vallejo Project Area has reached its limit for collection of tax increment revenues.

**Sonoma County**

*Petaluma Community Development Commission* — Among its accomplishments during the year, the agency reported completing the Vallejo Street Senior Apartments, and welcoming 40 seniors into this two-story apartment complex.

**Stanislaus County**

*Oakdale Redevelopment Agency*  $\frac{3}{4}$  The independent auditor's report did not include a compliance opinion.

*Turlock Redevelopment Agency*  $\frac{3}{4}$  The independent auditor's report did not include a compliance opinion.

*Waterford Redevelopment Agency* — The agency did not file the independent auditor's report on its financial statements for the fiscal year ended June 30, 1998, as required by Code Section 33080.1.

**Tuolumne County**

*Sonora Redevelopment Agency* — The financial audit opinion noted that the agency does not maintain complete fixed asset records. Therefore, they were unable to audit the General Fixed Asset Account Group.

**Ventura County**

*Fillmore Redevelopment Agency*  $\frac{3}{4}$  The financial opinion noted that the agency had not maintained a complete record of its general fixed assets and, accordingly, had no statement of general fixed assets as required by generally accepted accounting principles.

*Moorpark Redevelopment Agency* — Among its accomplishments during the year, the agency reported completing three housing rehabilitation projects. These projects totaled \$41,933 in loans to qualified homeowners.

*Oxnard Redevelopment Agency* — The compliance audit opinion noted that the agency's general plan included a housing element that had not yet been approved by the State Department of Housing and Community Development, as required by Code Section 33302.

Among its accomplishments during the year, the agency included:

- A. Completing 14 Heritage Park Townhomes; and
- B. Completing four commercial building facade renovations.

## Definitions/ Terminology

**Article XVI, Section 16, of the California Constitution** — The constitutional authority for the utilization of tax increment financing by redevelopment agencies.

**Base Assessed Valuation** — The assessment roll last equalized prior to the effective date of an ordinance approving a redevelopment project area plan. Also referred to as the “Frozen Base.”

**Base Year** — The fiscal year in which the project area plan is approved.

**Blight** — Physical, social, or economic liabilities in a community that require redevelopment in the interest of the health, safety, and general welfare of the residents.

**Capital Projects Fund** — A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds, or trust funds).

**Debt Service Fund** — A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Increment Assessed Valuation** — The assessed valuation of the taxable property in a project area in excess of the base assessed valuation.

**Low and Moderate Income Housing Fund** — A special fund created pursuant to Section 33334.3 of the Health and Safety Code to account for the 20% set-aside of Tax Increment Funds for low and moderate income housing.

**Non-Agency Debt** — Debt payable from a restricted revenue source for which the issuing agency has no liability. Examples include Residential Mortgage Revenue Bonds and Industrial Development Bonds.

**Project Area** — A predominantly blighted area of an urbanized community.

**Pass-Through Agreement** — An agreement made within specific guidelines whereby a redevelopment agency may share a portion of its tax increment revenue with any taxing agency with territory located within a project area (except for the community which has adopted the project). The taxing agency must show that the redevelopment project activities have caused a financial burden or detriment that can be alleviated by such an agreement. Agencies may also “pass-through” tax increment revenues that are attributable to either an increase in the tax rate and/or increases in the assessed value due to the application of Revenue and Taxation Code Section 110.1 (2% annual increase).

***Statement of Indebtedness*** — A statement filed with the county auditor on or before October 1 of each year detailing the indebtedness of each project area.

***Tax Increment*** — The portion of the taxes levied that are produced by increment assessed valuation.

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Reports published by the State Controller's Office on local government financial transactions are available from the offices listed below:

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